

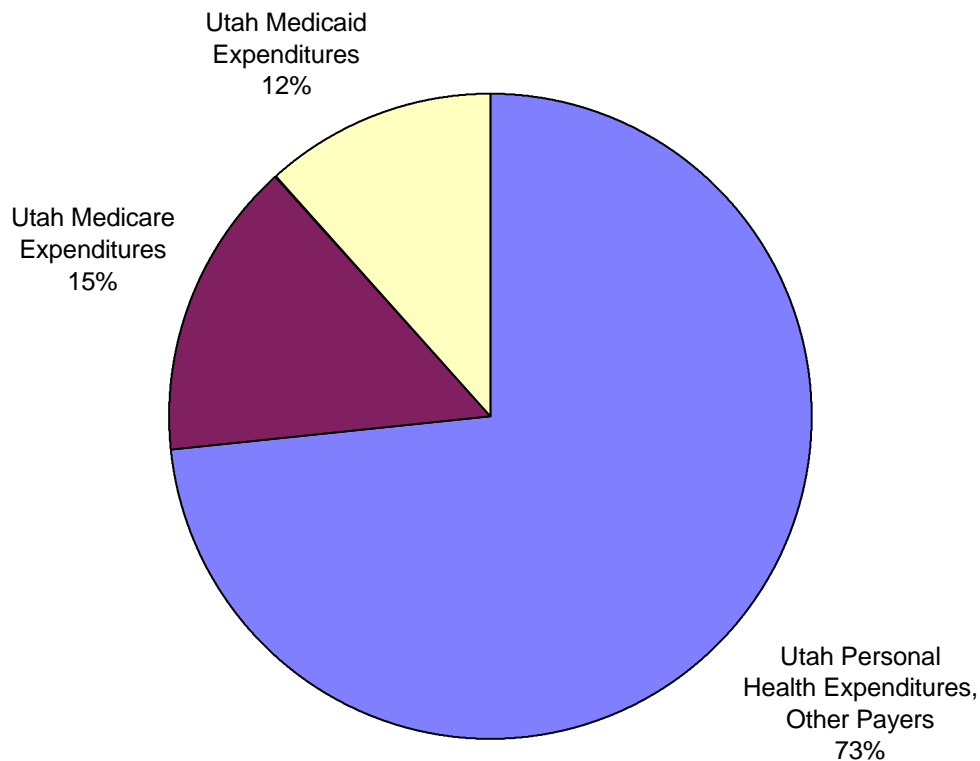
## Section II: The Financing of Chronic Care

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### How is Chronic Care Financed?

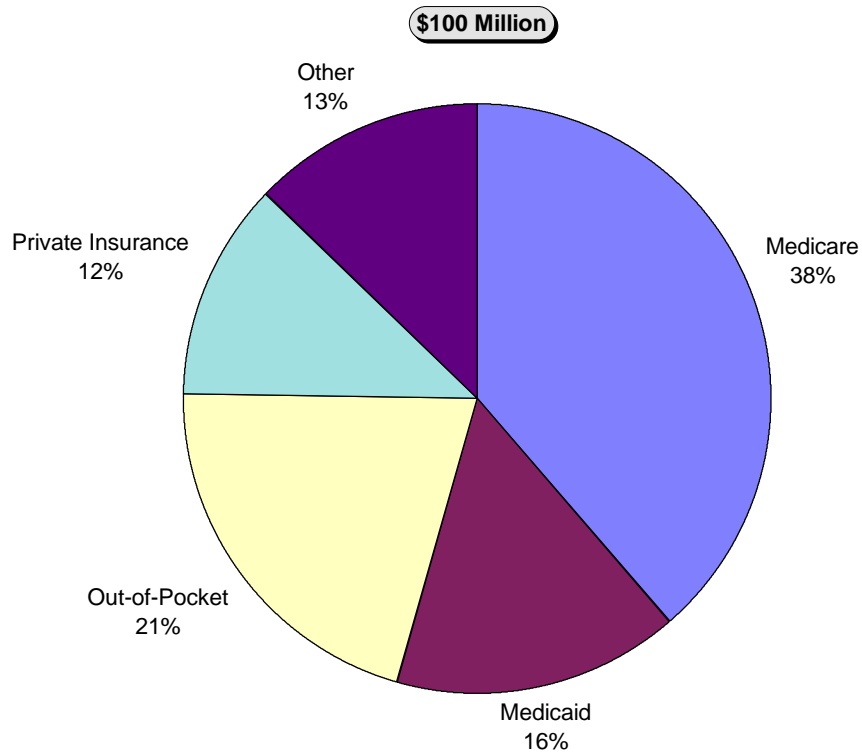
Data were not available on financing of chronic care in Utah. This is an important barrier to understanding and improving the chronic care system in Utah. However, it was possible to examine the payment sources for all personal health care in Utah. This section presents those data and provides some estimates of the amounts spent on chronic care based on national data. In 1993, Medicare expenditures accounted for 15 percent of all personal health care expenditures. The Medicaid portion was 12 percent. The remaining 73 percent was from other payment sources, including private insurance, out-of-pocket payments, and other various payment sources. See Figure 19.

**Figure 19. Portion of Utah Personal Health Expenditures Paid by Medicare and Medicaid, 1993.**

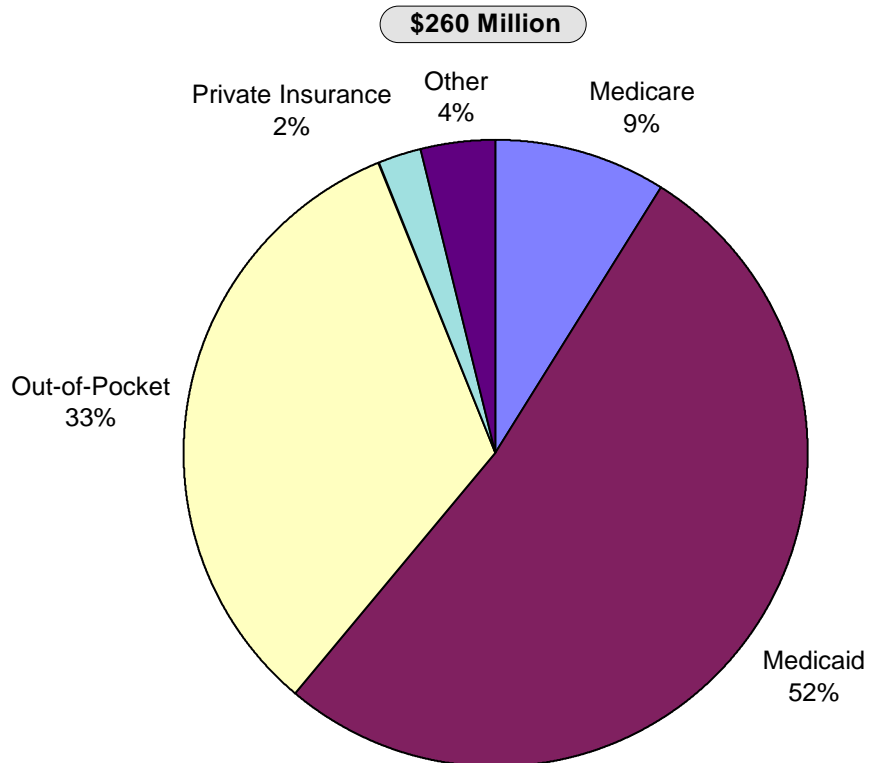


The distributions of payment sources were dramatically different for home health care and nursing home care. Medicare and Medicaid constituted 54 percent of home health care expenditures and over 60 percent of nursing home care expenditures in Utah. Sources of payment for these types of services are shown in Figures 20 and 21.

**Figure 20. Utah Home Health Care Expenditures by Payer Type, 1993.**



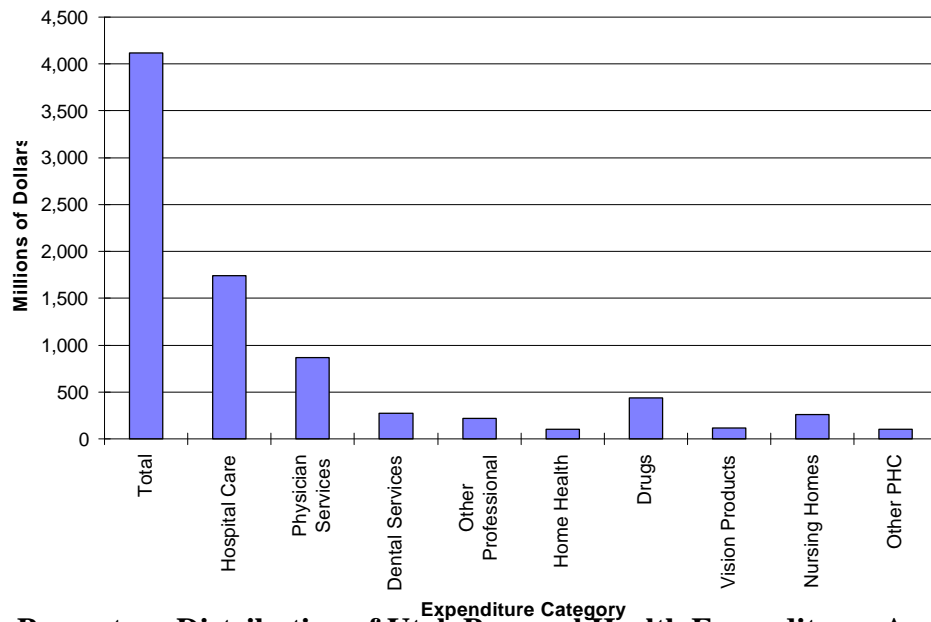
**Figure 21. Utah Expenditures for Nursing Home Care by Payer Type, 1993.**



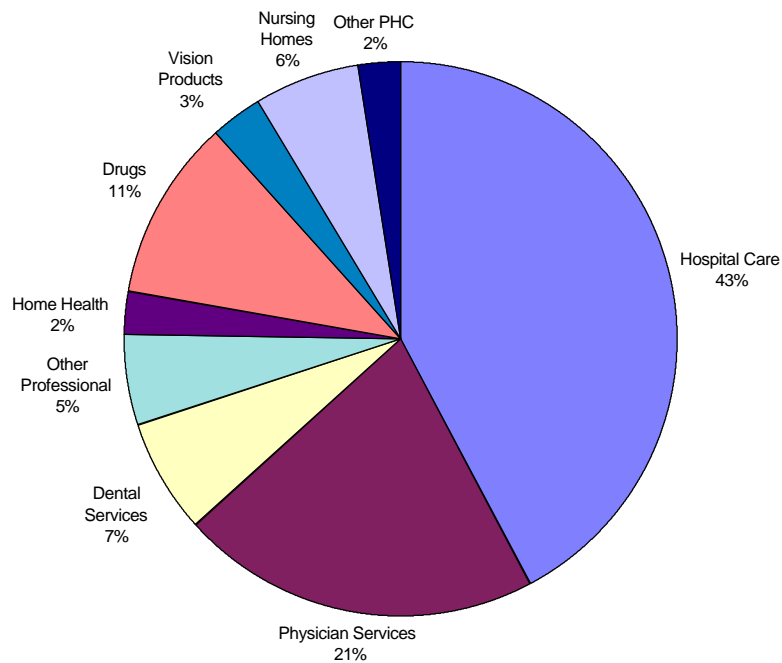
## How Much Does Chronic Care Cost in Utah?

To understand the impact of chronic care costs, it is necessary to put these costs into the context of total health care expenditures. Total Utah personal health care expenditures amounted to \$4.1 billion in 1993. Figures 22 and 23 show how these expenditures were allocated across expenditure categories.

**Figure 22. Utah Personal Health Expenditures According to Expenditure Category, 1993.**

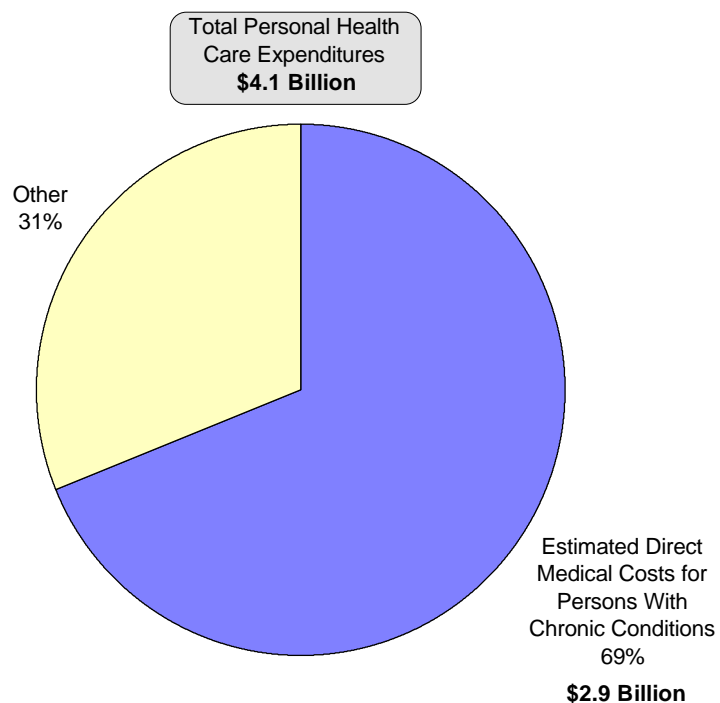


**Figure 23. Percentage Distribution of Utah Personal Health Expenditures According to Expenditure Category, 1993.**



The economic costs of chronic conditions are staggering. Based on the 1987 National Expenditure Survey, it has been estimated that nearly 70 percent of personal health care expenditures are for direct medical costs for persons with chronic conditions. Assuming the national statistics hold true for Utah , approximately \$2.9 billion is spent in Utah for chronic conditions. See Figure 24.

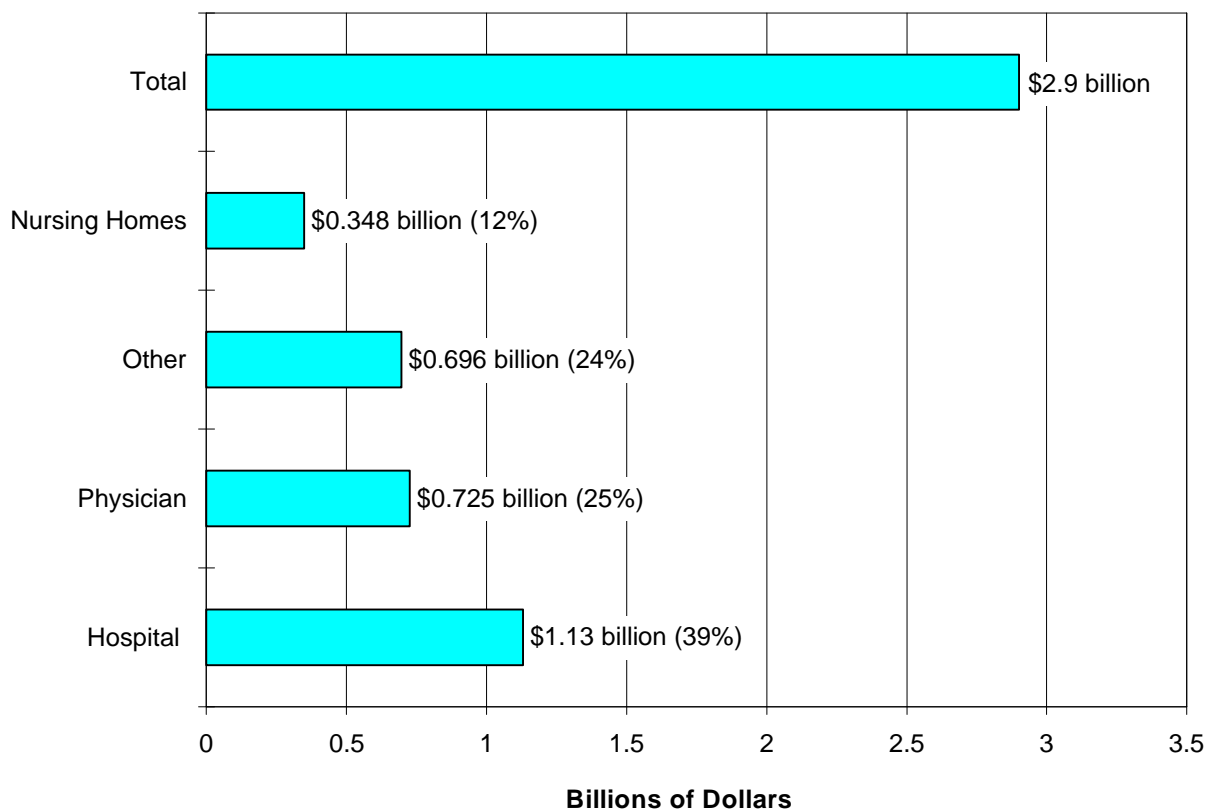
**Figure 24. Estimated Percentage of Utah Personal Health Care Expenditures Used for Direct Medical Costs for Persons with Chronic Conditions, 1993.**



Based on national data, it is estimated that the indirect costs for persons with chronic conditions-- in terms of lost productivity-- add \$1.6 billion to the costs of chronic conditions. That estimate includes \$1.1 billion in indirect costs due to premature death and \$500 million attributed to lost productivity of people who are unable to work (paid or unpaid), or to perform their usual activities. (When a person is unable to work or dies prematurely, the value of his or her productivity to society is lost.) These indirect costs do not include the lost productivity of people who were unable to perform other work or be employed because of caregiving responsibilities.

Almost two-thirds of estimated chronic health care dollars are spent on hospital care and physician services. (See Figure 25).

**Figure 25. Estimated Direct Medical Care Costs for Persons with Chronic Conditions According to Type of Expenditure, Utah 1993.**



As mentioned earlier, the Utah population is demographically different from the rest of the nation. These differences include the age distribution of the population which likely have a significant effect on chronic care needs. Figure 26 compares the population distribution by age group in Utah with that of the U.S. Because of the difference in the population distribution, the estimates in this section which were based on applying national percentages to Utah need to be interpreted with caution.

**Figure 26. Population Distribution by Age Group, Utah & U.S., 1995**

